

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cnci.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Robert A. Bury, Director
Historical Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 29, 2009

RE: 2009-2010 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2009-2010 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Monday, May 4, 2009 at 10:30 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Joseph Harris, Chief Financial Officer
Pamela Scales, Budget Department Director
Rene Short, Budget Manager
Arese Robinson, Mayor's Office

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Detroit Historical Museum

FY 2009-2010 Budget Analysis by the Fiscal Division

Summary

In March 2006, the City entered into an agreement with the Detroit Historical Society (Society) to manage the operations of the Detroit Historical Museums, which include the Detroit Historical Museum, the Dossin Great Lakes Museum, and the Collections Resource Center at Historic Fort Wayne. Responsibility for the Historic Fort Wayne facility was transferred to the Recreation Department. The initial term of the agreement runs through June 30, 2020. Renewal of the agreement is for successive ten-year terms unless either party provides notice of termination at least one hundred eighty days before the date of renewal. Under the terms of the agreement, the City retains ownership of all the facilities, collections, artifacts, exhibits, office furnishings and other assets and is responsible for the expenses associated with their maintenance and upkeep. The Society will manage and operate the museums and will retain all revenues from the museums' operations.

The agreement stipulates that the City will provide an annual operating subsidy of \$500,000 to the Detroit Historical Society for the first three years of the agreement, fiscal years 2005-2006, 2006-2007, and 2007-2008. For all successive years of the agreement, pursuant to the City's budget process, the Society will approach the City with a request for an annual appropriation. In addition, the City agreed to grant the Society access to annually budgeted capital funds for the Museums and the Collections Resource Center.

The Mayor's Proposed 2009-2010 Budget includes \$425,000 in funding for the Detroit Historical Museums, which is a subsidy for operations. In addition, \$315,125 is included in the Recreation Department's Appropriation 12141 for operation of Historic Fort Wayne.

In Fiscal Year 2007-2008, \$2.8 million and in Fiscal Year 2008-2009, \$17.2 million in capital funding was appropriated for the Detroit Historical Museums, from the voter authorized \$20.0 million in general obligation bonds for capital improvements. As per the operating agreement, these budgeted capital funds are carried over and will be made available for the Society's use as the bonds are sold.

Significant Changes in Funding by Appropriation

Approp. Program

12162	Historical Operations	The Mayor's 2009-2010 Proposed Budget includes \$425,000 operational subsidy. The subsidy reflects a 15% reduction from the 2008-2009 appropriation of \$500,000.
12653	Historical Capital (Bonds)	The Mayor's 2009-2010 Proposed Budget does not recommend any funding for capital improvements for the Historical Society. The current year's budget includes \$17.2 million for capital improvements.

Issues and Questions

1. The Society requested \$500,000 and the Mayor recommended \$425,000 for the 2009-2010 operating subsidy, which is 15% less than the 2008-2009 subsidy of \$500,000. How does the reduced proposed subsidy impact operations?
2. What will the Society do new in fiscal years 2009-2010 to become less financially dependent on the City?
3. What is the major challenge or hurdle the Society and museums face today and in the foreseeable future?
4. Bonds will not be sold to cover the 2007-08 and 2008-09 capital improvement programs for Historical. In addition, the Mayor has elected not to budget capital dollars in the 2009-10 budget since it is not economically feasible to sell bonds in the current marketplace. How will this impact ongoing and planned capital projects associated with the museum?
5. Please provide your actual vs. budget operating budget for 2008-09 and your operating budget for 2009-10.